

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP
FEBRUARY 2, 2011**

DIRECTORS PRESENT

Jim Haselton, Committee Chair
Glenn Acosta, Committee Alternate

STAFF PRESENT

Don Chadd, General Manager
Teresa Teichman, District Secretary
Karen Warner, Accounting Technician

PUBLIC PRESENT

No members of the public were present.

CALL MEETING TO ORDER

Committee Chair Haselton called the February 2, 2011 Finance/Audit Committee Meeting to order at 7:07 a.m.

VISITOR PARTICIPATION

Public comments were announced. No comments were received.

ORAL COMMUNICATION

Oral communication was announced. No comments were received.

COMMITTEE MEMBER COMMENTS

Director Haselton provided a summary from the January 27, 2011 ISDOC Quarterly Meeting and the Election of Special District LAFCO Representative.

REPORT FROM THE GENERAL MANAGER

There was no report from the General Manager.

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FINANCIAL MATTERS

ITEM NO. 1) FINANCE/AUDIT COMMITTEE MEETING RECAP

The January 5, 2011 Finance/Audit Committee Meeting Recap was presented to the Committee. No changes were made.

Recommendation: *The Committee recommended that the January 5, 2011 Finance/Audit Committee Meeting Recap be received and filed by the Board. (Consent Calendar).*

**ITEM NO. 2) RATIFICATION OF DIRECTORS' FEES AND EXPENSES
AND FUTURE MEETINGS**

The Committee reviewed this matter.

Recommendation: *The Committee recommended that the Directors' expenses for December 2010 and fees for January 2011 be forwarded to the Board for ratification. (Action Calendar)*

**ITEM NO. 3) STATUS UPDATE RELATING TO WATER MONITORING
AND WATER CONSERVATION EFFORTS**

Mr. Don Chadd, General Manager, reviewed the water allocation graphs and data provided by MWDOC as of January 21, 2011.

Mr. Chadd advised there is a workshop being held this morning at MWDOC with the Board of Directors of MWDOC and the MET Directors and one of the discussion items on the agenda is MET's proposed biennial budget and rates for FY 2011/2012 and FY 2012/2013.

Mr. Chadd advised MET is proposing a 7.5% increase effective January 1, 2012. Discussion occurred related to the general public's understanding of these future rate increases and that when water purveyors in MWDOC's service area have rate increases it is a direct result of MWDOC and MET's budget management.

Recommendation: *The Committee received and filed the status update. No action necessary.*

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ITEM NO. 4) DISCUSSION RELATING TO FISCAL YEAR 2009/2010
DRAFT AUDIT

Mr. Chadd discussed this issue and advised TCWD staff met with TCWD's Contract Treasurer last week to review the draft audit. TCWD's Treasurer noted it is a 'clean audit' and is communicating with the Auditing firm to clarify information. Mr. Chadd stated staff has a scheduled conference call with the auditors this afternoon.

Mr. Chadd advised staff anticipates bringing the draft audit to the board at the time of the February 16, 2011 Regular Board Meeting and recommended the auditors arrive prior to the Regular Board Meeting to hold a Audit Workshop.

Recommendation: *The Committee recommended scheduling the auditors to conduct an Audit Workshop at 6:00pm on February 16, 2011 and to forward this item to the Board (Action Calendar).*

ITEM NO 5) STATUS UPDATE RELATING TO STORM DAMAGE

Mr. Chadd advised Orange County was officially declared a disaster by Presidential declaration on January 26, 2011 which now allows TCWD to file for FEMA reimbursement of emergency repairs related to the storm. Mr. Chadd advised FEMA's kick-off meeting is scheduled for February 15, 2011 and TCWD will have 60 days from the kick-off meeting to submit and substantiate all claims.

Mr. Chadd provided photos of district property and district infrastructure damaged by the recent storms. Mr. Chadd reviewed the estimated cost of these repairs.

Mr. Chadd reviewed the emergency repairs and their associated costs which he has authorized to proceed in order to ensure water reliability for the district and to avoid further damage and/or loss of transmission lines in the event of another storm. Mr. Chadd advised this information will be presented to the Board for ratification at the time of the February 16, 2011 Regular Board meeting

Recommended Action: *The Committee received the information and recommended that this be forwarded to the Board (Action Calendar).*

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ITEM NO. 6) OTHER MATTERS

Director Acosta commented FEMA will not be providing any type of relief for the affected homeowners within the Dove Canyon Community. Mr. Acosta stated there will be a fund raiser for the affected families on February 14, 2011.

Mr. Chadd discussed information forwarded to TCWD yesterday from TCWD's Contract Treasurer relating to a request for relief of penalty for late filing of Form 990 for period July 1, 2009 through June 30, 2010. Mr. Chadd advised TCWD's in-house accounting staff is taking a more active role in daily and monthly accounting functions so that information may be more readily available.

Mr. Chadd relayed a request from a homeowner in Dove Canyon requesting a review of a water line within the Dove Canyon community and concerns about a water reservoir within the Rancho Cielo community. Mr. Chadd advised the water reservoir this customer is referring to is a Santa Margarita Water District (SMWD) reservoir which the customer believes is the reservoir which feeds her home. Mr. Chadd provided information to the committee as to the complaints this customer has filed with the Department of Public Health (DPH) and DPH's response confirming there are no issues with the water quality. Mr. Chadd advised he will respond to this customer's concerns and clarify where the water to her home originates.

Recommendation: *The Committee received the information provided. No action taken.*

**ITEM NO. 7A) PRESENTATION OF AUGUST, 2010 UNAUDITED
FINANCIAL STATEMENT**

Mr. Chadd reviewed the December 31, 2010 preliminary unaudited financial statement. Information was reviewed including total assets, liabilities and retained earnings, WRES balance demonstrating a dedicated revenue source, and investment schedule. Mr. Chadd commented this twelve month information is consistent with last year's figures.

Mr. Chadd advised TCWD will need to utilize reserve funds for payment of emergency repairs while awaiting FEMA reimbursement.

Discussion occurred relating to TCWD's wells start up and anticipation of meeting district demand with well water during remaining winter months and at the same time sell TCWD water to SMWD.

Recommendation: *The Committee recommended that the Board receive and file the December 31, 2010 preliminary unaudited financial statement, as presented. (Consent Calendar).*

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ITEM NO. 7B) BILLS FOR CONSIDERATION

The bills for consideration were presented.

Recommendation: *The Committee recommended that the Board ratify payment of January 18, 2011 bills for consideration in the amount of \$379,400.81 and the February 2, 2011 bills for consideration in the amount of \$315,350.67 and the January 2011 payroll in the amount of \$173,776.90, as presented. (Consent Calendar).*

ADJOURNMENT

Committee Chair Haselton adjourned the February 2, 2011 Finance/Audit Committee Meeting at 7:45 a.m.